

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Caseville</b>	County <b>Huron</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>6/28/05</b>	Date Accountant Report Submitted to State: <b>8/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Nietzke &amp; Faupel, P.C.</b>			
Street Address <b>7274 Hartley Street</b>		City <b>Pigeon</b>	State <b>MI</b>
Accountant Signature <i>Brian Hazen, CPA</i>		ZIP <b>48755</b>	Date <b>8/30/05</b>

**VILLAGE OF CASEVILLE, MICHIGAN**  
**ANNUAL FINANCIAL STATEMENTS**  
**And Supplementary Information**  
**FOR THE YEAR ENDED FEBRUARY 28, 2005**

# VILLAGE OF CASEVILLE, MICHIGAN

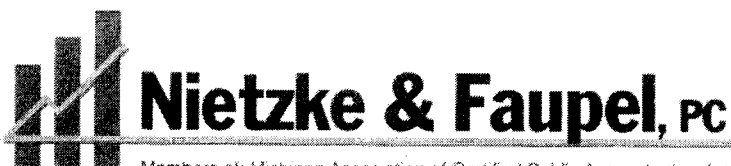
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**VILLAGE OF CASEVILLE, MICHIGAN**

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## REPORT OF INDEPENDENT AUDITORS

To The Honorable Village Council  
Village of Caseville  
Caseville, Michigan 48725

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Caseville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2005, on our consideration of the Village of Caseville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through vii and 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Report of Independent Auditors (Continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Caseville, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nietzke & Faupel, P.C.*

NIETZKE & FAUPEL, P.C.  
PIGEON, MICHIGAN

June 28, 2005

## **VILLAGE OF CASEVILLE**

### **Management Discussion and Analysis Statement**

#### **INTRODUCTION**

This discussion and analysis of the Village of Caseville's financial reports provides an overview of the financial activities for the fiscal year ended February 28, 2005. This analysis should be used as a review of the highlights of the Village's activities and its relationship to the financial well being of the Village.

#### **FINANCIAL HIGHLIGHTS**

- The assets of the Village's governmental activities exceeded its liabilities at the end of the fiscal year by \$570,199.
- The assets of the Village's business-type activities exceeded its liabilities at the end of the fiscal year by \$5,341,455

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is provided as an introduction to the Village's financial statements provided in the audit. The reports are prepared using a new reporting structure that all local governments must use. The new requirements provide for statements in different forms than were presented in the past. Since this is the first year utilizing the new formats, a comparison to last fiscal year is not presented. In subsequent years, comparisons will be included.

The Village's financial statements are provided in two forms. The first is the government-wide financial statements that show a compilation or summary of the entire Village's finances. The Statement of Net Assets uses accounting similar to private business accounting and shows all of the Village's assets and liabilities. The other government-wide statement is the Statement of Activities. This financial statement shows the change in the Village's net assets during the 2004-05 fiscal year.

The second form of financial statements is the fund financial statements. A fund is a group of activities that is used to maintain management control over specific revenues, activities and objectives. Each fund is considered a separate accounting entity and is used to demonstrate compliance with legal requirements related to financing issues.

The governmental funds are used to account for basically the same activities as reported as governmental activities in the government-wide financial statements. The proprietary funds are used to report the same functions presented as the business-type activities in the government-wide financial statements.

## VILLAGE OF CASEVILLE

### Management Discussion and Analysis Statement

The following table shows the net assets of the Village as of February 28, 2005:

	Governmental Activities	Business-Type Activities	Totals
Current assets	\$ 677,368	\$ 345,008	\$ 1,022,376
Restricted assets	757,128	685,553	1,442,681
Capital assets-net	699,516	7,954,734	8,654,250
Total assets	<u>2,134,012</u>	<u>8,985,295</u>	<u>11,119,307</u>
Current liabilities	30,626	89,585	120,211
Long-term liabilities	<u>1,533,188</u>	<u>3,554,256</u>	<u>5,087,444</u>
Total liabilities	<u>1,563,814</u>	<u>3,643,841</u>	<u>5,207,655</u>
Net assets:			
Invested in capital assets, net of related debt	(505,484)	4,769,734	4,264,250
Restricted	507,397	343,336	850,732
Unrestricted	<u>568,286</u>	<u>228,385</u>	<u>796,671</u>
Total net assets	<u>\$ 570,199</u>	<u>\$ 5,341,455</u>	<u>\$ 5,911,653</u>

#### GOVERNMENTAL ACTIVITIES

The Village's governmental activities include the activities in several funds. These are the functions of the Village that are supported by taxes, user fees, intergovernmental revenue, and service charges. The activities included are for general government, public safety, highways and public improvements, sanitation, community development, and parks and recreation.

The general revenue of the governmental activities was \$907,191 and exceeded the expenses of \$842,644. This resulted in an increase in net assets of \$64,546.

#### BUSINESS TYPE ACTIVITIES

The Village's business-type activities include the water, sewer and recycling funds. The Village provides sanitary sewer service to the residents of Caseville using a gravity/pump lagoon system and water using a lake intake system. Water is provided to two other government entities that pay on the basis of water usage using a rate created by the cost of water production. The Village of Pigeon and sections of Caseville Township are the entities.

The business-type activities in total showed a decrease in net assets as a whole. This



## VILLAGE OF CASEVILLE

### Management Discussion and Analysis Statement

decrease can be attributed to the transfer of assets from the Recycling Fund to the General Fund, which is not in the business-type group, and expenses of the sewer fund exceeding its revenues. The Village Council in July 2004 and January 2005 raised the Sewer Operation, Maintenance and Repair charges a total of \$ 1.50 per thousand gallons to alleviate some of this deficit.

The following table shows the Village's change in net assets for the year ended February 28, 2005:

	Governmental Activities	Business-Type Activities	Totals
Revenue:			
Program revenue:			
Charges for services	\$ 109,109	\$ 831,649	\$ 940,758
General revenue:			
Property taxes	490,884		490,884
State shared revenue	190,341		190,341
Unrestricted investment earnings	9,877	8,219	18,096
Miscellaneous	70,055	62,681	132,738
Transfers - net	146,034	(146,034)	-
Total revenue	<u>1,016,299</u>	<u>756,515</u>	<u>1,772,817</u>
Expenses:			
General government	403,586		403,586
Public safety	220,581		220,581
Highways and public improvements	192,813		192,813
Sanitation	67,651		67,651
Community development	30,000		30,000
Parks and recreation	26,179		26,179
Interest on long-term debt	10,944		10,944
Water		607,765	607,765
Sewer		353,665	353,665
Recycling		2,968	2,968
Total expenses	<u>951,753</u>	<u>964,399</u>	<u>1,916,152</u>
Change in net assets	64,546	(207,884)	(143,335)
Net assets - beginning	<u>505,653</u>	<u>5,549,339</u>	<u>6,054,992</u>
Net assets - ending	<u>\$ 570,199</u>	<u>\$ 5,341,455</u>	<u>\$ 5,911,653</u>

## **VILLAGE OF CASEVILLE**

### **Management Discussion and Analysis Statement**

#### **BUDGET VARIATIONS**

The budgeted General Fund revenues were \$1,714 more than the actual revenues and the actual expenditures were \$58,896 greater than the budgeted expenses. The majority of this unfavorable variance was the transfer of the recycling building assets to the General Fund when the assets of the Recycling Fund were transferred to the General Fund. This additional unbudgeted expenditure was \$71,256.

The two proprietary funds, Sewer Fund and Water Fund, also had budget variances. The Sewer Fund showed actual revenues exceeding the budgeted revenue by \$11,294. The actual expenses exceeded the budgeted expenses by \$96,853. This unfavorable budget variance resulted because depreciation expense of \$110,495 was not budgeted.

The other proprietary fund, the Water Fund, showed actual revenues exceeding budgeted amounts by \$3,945. The actual expenses were \$2,429,014 less than the budgeted expenses mainly because the water intake project that was budgeted did not start as projected when the budget was prepared and depreciation expense of \$146,559 was not budgeted.

#### **CAPITAL ASSET AND DEBT ACTIVITY**

The Village as of February 28, 2005 had capital assets both in its governmental and business-type activities of \$8,654,250 (net of accumulated depreciation). These assets include buildings and land, sewer and water systems, equipment, and other infrastructure used by the Village to provide services to the public.

The elimination of the Village's recycling program resulted in several pieces of equipment to be surplus and as a result, bided out and sold. A new Johnston Street Sweeper was purchased to replace a 1989 FMC sweeper at a cost of \$148,650.

The long-term debt that the Village had outstanding at February 28, 2005, includes bonds for water, sewer, DDA Streetscape and Oxbow dredging totaling \$4,390,000. A detailed itemization can be viewed in Note No. 9 on page 23.

#### **ECONOMIC FACTORS, CURRENTLY KNOWN FACTS, OR CONDITIONS**

There are several economic factors, currently known facts or conditions for the Village of Caseville for the next fiscal year that will effect its financial position.

The water system intake improvement and water tower refurbishment project will be undertaken with the new debt incurred for payment for the construction. This \$3,284,000 project will be paid over 40 years and the Village's portion will be paid through increased water rates.

Circuit Court action regarding the Interlocal Water agreement with Caseville Township should be started. This process could result in payment for both past due water usage

## **VILLAGE OF CASEVILLE**

### **Management Discussion and Analysis Statement**

bills and the Township's portion of the pre-construction engineering fees or a portion of these amounts. At the end of this fiscal year the total amount in dispute was \$154,481.20.

Although the unemployment rate for the area is one of the nation's highest, the vacant Michigan Oven Factory has been sold and anticipation is for increased local employment. The success of the Cheeseburger in Caseville Festival has had a large positive impact on the local economy and will continue each year.

### **CONTACT FOR ADDITIONAL INFORMATION**

This discussion is meant to be an overview of the Village's financial position for the fiscal year ended February 28, 2005. To view the complete audit or for an explanation of the audit or other financial aspects of the Village's operations please contact the Village office at 6767 Main Street, Caseville, MI 48725.

**BASIC FINANCIAL STATEMENTS**

# VILLAGE OF CASEVILLE, MICHIGAN

## STATEMENT OF NET ASSETS FEBRUARY 28, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS - TYPE ACTIVITIES</u>	<u>TOTALS</u>
<b><u>ASSETS</u></b>			
Cash	\$ 110,355	\$ 1,668	\$ 112,023
Accounts receivable	17,154	230,316	247,469
Taxes receivable	45,309	2,060	47,370
Investments	385,397	197,270	582,667
Inventory		31,597	31,597
Internal balances	117,904	(117,904)	-
Prepaid insurance	1,248		1,248
Restricted assets:			
Investments	507,397	316,297	823,694
Special assessments receivable	249,731	369,256	618,987
Capital assets	1,291,889	11,374,250	12,666,139
Less accumulated depreciation	(592,373)	(3,419,516)	(4,011,889)
<b>TOTAL ASSETS</b>	<u>\$ 2,134,012</u>	<u>\$ 8,985,295</u>	<u>\$ 11,119,307</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 10,164	\$ 28,460	\$ 38,624
Accrued compensated absences	79,368		79,368
Accrued interest	20,463	61,125	81,588
Deferred revenue	248,819	369,256	618,075
General obligation bonds payable	1,205,000	3,185,000	4,390,000
<b>TOTAL LIABILITIES</b>	<u>1,563,814</u>	<u>3,643,841</u>	<u>5,207,655</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	(505,484)	4,769,734	4,264,250
Restricted for:			
Debt service	120,505	283,500	404,005
Capital projects	386,240	59,835	446,075
Police forfeiture	652		652
Unrestricted	568,286	228,385	796,671
<b>TOTAL NET ASSETS</b>	<u>\$ 570,199</u>	<u>\$ 5,341,455</u>	<u>\$ 5,911,653</u>

The accompanying notes are an integral part of the financial statements.

# VILLAGE OF CASEVILLE, MICHIGAN

## STATEMENT OF ACTIVITIES FEBRUARY 28, 2005

PROGRAM REVENUES				NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS		
CHARGES FOR SERVICES		OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<b>Governmental Activities</b>						
General government	\$ 403,586	\$ 13,154		\$ (390,432)		\$ (390,432)
Public safety	220,581	6,478		(214,103)		(214,103)
Highways and public improvements	192,813	7,138		(185,675)		(185,675)
Sanitation	67,651	82,340		14,689		14,689
Community development	30,000			(30,000)		(30,000)
Parks and recreation	26,179			(26,179)		(26,179)
Interest on long-term debt	10,944			(10,944)		(10,944)
<b>Total governmental activities</b>	<b>951,753</b>	<b>109,109</b>	<b>-</b>	<b>(842,644)</b>		<b>(842,644)</b>
<b>Business-Type Activities</b>						
Water	607,765	568,262			\$ (39,503)	(39,503)
Sewer	353,665	263,371			(90,295)	(90,295)
Recycling	2,968	16			(2,952)	(2,952)
<b>Total business-type activities</b>	<b>964,399</b>	<b>831,649</b>	<b>-</b>	<b>-</b>	<b>(132,750)</b>	<b>(132,750)</b>
<b>Total Government</b>	<b>\$ 1,916,152</b>	<b>\$ 940,758</b>	<b>\$ -</b>	<b>(842,644)</b>	<b>(132,750)</b>	<b>(975,394)</b>
<b>General Revenue:</b>						
Property taxes				490,884		490,884
State shared revenues				190,341		190,341
Unrestricted investment earnings				9,877	8,219	18,096
Miscellaneous				70,055	69,702	139,757
Loss on sale of capital assets					(7,018)	(7,018)
Transfers - net				146,034	(146,034)	-
<b>Total general revenues and transfers</b>				<b>907,191</b>	<b>(75,132)</b>	<b>832,060</b>
<b>Change in net assets</b>				<b>64,546</b>	<b>(207,884)</b>	<b>(143,336)</b>
<b>Net assets - beginning</b>				<b>505,653</b>	<b>5,549,339</b>	<b>6,054,992</b>
<b>Net assets - ending</b>				<b>\$ 570,199</b>	<b>\$ 5,341,455</b>	<b>\$ 5,911,653</b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF CASEVILLE, MICHIGAN**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
FEBRUARY 28, 2005**

	<u>GENERAL</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>			
Cash	\$ 69,519	\$ 40,646	\$ 110,165
Petty cash	190		190
Investments	136,172	57,316	193,488
Accounts receivable	17,154		17,154
Taxes receivable	5,039	40,271	45,309
Due from other funds	127,245		127,245
Prepaid insurance	1,248		1,248
Restricted assets:			
Investments		507,397	507,397
Special assessments receivable		249,731	249,731
<b>TOTAL ASSETS</b>	<u>\$ 356,567</u>	<u>\$ 895,362</u>	<u>\$ 1,251,929</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b><u>LIABILITIES:</u></b>			
Accounts payable	\$ 9,652	\$ 33	\$ 9,685
Accrued interest		20,463	20,463
Deferred revenue		248,819	248,819
Due to other funds		975	975
<b>TOTAL LIABILITIES</b>	<u>9,652</u>	<u>270,290</u>	<u>279,942</u>
<b><u>FUND EQUITY:</u></b>			
Fund balance:			
Reserved for debt service		120,505	120,505
Reserved for capital projects		386,240	386,240
Reserved for police forfeiture		652	652
Unreserved	<u>346,915</u>	<u>117,675</u>	<u>464,590</u>
<b>TOTAL FUND EQUITY</b>	<u>346,915</u>	<u>625,072</u>	<u>971,987</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 356,567</u>	<u>\$ 895,362</u>	<u>\$ 1,251,929</u>

The accompanying notes are an integral  
part of the financial statements.

**VILLAGE OF CASEVILLE, MICHIGAN**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES  
TO GOVERNMENTAL ACTIVITIES NET ASSETS  
FEBRUARY 28, 2005**

<b>Total governmental fund balances</b>	<b>\$ 971,987</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$1,291,889 less the accumulated depreciation of \$592,373.	699,516
Internal service fund is not included in the governmental funds.	183,064
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,284,368)
<b>Net assets - governmental activities</b>	<b><u>\$ 570,199</u></b>

The accompanying notes are an integral  
part of the financial statements.



**VILLAGE OF CASEVILLE, MICHIGAN**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED FEBRUARY 28, 2005**

	<u>GENERAL</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUE:</b>			
Property taxes	\$ 370,956	\$ 11,301	\$ 382,257
Current TIFA payments		70,664	70,664
Special assessments		25,653	25,653
Licenses and permits	8,995		8,995
Intergovernmental	91,456	111,458	202,914
Charges for services	81,215		81,215
Fines and forfeits	6,519		6,519
Interest	4,357	17,293	21,650
Administrative charges	59,523		59,523
Miscellaneous	2,558	10,464	13,021
<b>TOTAL REVENUE</b>	<u>625,580</u>	<u>246,834</u>	<u>872,413</u>
<b>EXPENDITURES:</b>			
Current:			
Village council/president/clerk	50,656		50,656
Elections	1,351		1,351
Administration	137,339	4,040	141,379
Village hall and grounds	28,426		28,426
Police protection	164,724	600	165,324
Breakwall area	10,188		10,188
Department of public works	70,466		70,466
Routine maintenance		63,508	63,508
Winter maintenance		12,415	12,415
Trunkline maintenance		32,298	32,298
Water board	817		817
Leaf and brush	17,789		17,789
Public utilities	42,007		42,007
Sanitation	51,757		51,757
Recreation	15,775		15,775
Planning commission	3,476		3,476
Zoning board of appeals	7,433		7,433
Holiday decorations	4,777		4,777
Capital outlay - building	71,256		71,256
Downtown development authority	57,495	127,403	184,898
Debt service - bond payments		40,944	40,944
<b>TOTAL EXPENDITURES</b>	<u>735,730</u>	<u>281,208</u>	<u>1,016,938</u>

(Continued)

**VILLAGE OF CASEVILLE, MICHIGAN**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED FEBRUARY 28, 2005**

	<u>GENERAL</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(110,150)</u>	<u>(34,374)</u>	<u>(144,525)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	126,934	75,825	202,759
Operating transfers out	<u>-</u>	<u>(56,688)</u>	<u>(56,688)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	126,934	19,137	146,071
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>16,784</u>	<u>(15,237)</u>	<u>1,547</u>
<b>FUND BALANCE - BEGINNING</b>	330,131	640,310	970,441
<b>FUND BALANCE - ENDING</b>	<u>\$ 346,915</u>	<u>\$ 625,072</u>	<u>\$ 971,987</u>

The accompanying notes are an integral  
part of the financial statements.

**VILLAGE OF CASEVILLE, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FEBRUARY 28, 2005**

Net change in fund balances - governmental funds	\$ 1,547
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Amounts reported for governmental activities in the statement of net activities are different because:

Governmental funds report capital outlay as expenditures. However, in the *Statement of Activities*, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 76,033	
Depreciation expense	<u>(26,285)</u>	
		49,748

Long-term accrued compensated absences are treated as an expense in the statement of activities.	(7,560)
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The net revenue of certain activities of internal service fund is reported with governmental activities.	20,849
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An elimination is made to remove intergovernmental administration fees.	(38)
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Change in net assets - governmental activities	<u>\$ 64,546</u>
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**VILLAGE OF CASEVILLE, MICHIGAN**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
FEBRUARY 28, 2005**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND</b>
<b>ASSETS</b>	<b>SEWER</b>	<b>WATER</b>	<b>TOTALS</b>	
<b>CURRENT ASSETS:</b>				
Cash		\$ 1,668	\$ 1,668	
Investments	\$ 145,675	51,595	197,270	\$ 191,909
Accounts receivable	42,839	247,477	290,316	
Allowance for doubtful accounts		(60,000)	(60,000)	
Taxes receivable	1,782	278	2,060	
Inventory	5,242	26,355	31,597	
<b>TOTAL CURRENT ASSETS</b>	<u>195,538</u>	<u>267,373</u>	<u>462,911</u>	<u>191,909</u>
<b>RESTRICTED ASSETS:</b>				
Investments	200,797	115,500	316,297	
Special assessments receivable	369,256		369,256	
<b>TOTAL RESTRICTED ASSETS</b>	<u>570,053</u>	<u>115,500</u>	<u>685,553</u>	
<b>CAPITAL ASSETS</b>				
Sewer system	7,012,127		7,012,127	
Water system		4,362,123	4,362,123	
Equipment				573,645
	<u>7,012,127</u>	<u>4,362,123</u>	<u>11,374,250</u>	<u>573,645</u>
<b>LESS: ACCUMULATED DEPRECIATION</b>	<u>(1,692,814)</u>	<u>(1,726,702)</u>	<u>(3,419,516)</u>	<u>(325,032)</u>
<b>CAPITAL ASSETS - NET</b>	<u>5,319,313</u>	<u>2,635,421</u>	<u>7,954,734</u>	<u>248,613</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,084,905</u>	<u>\$ 3,018,294</u>	<u>\$ 9,103,199</u>	<u>\$ 440,522</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Due to other funds		\$ 126,270	\$ 126,270	
Accounts payable	\$ 3,539	24,921	28,460	\$ 479
Accrued interest	61,125		61,125	
Maturing bonds payable	55,000	45,000	100,000	
<b>TOTAL CURRENT LIABILITIES</b>	<u>119,664</u>	<u>196,191</u>	<u>315,855</u>	<u>479</u>
<b>NONCURRENT LIABILITIES:</b>				
Deferred revenue	369,256		369,256	
Bonds payable	2,445,000	740,000	3,185,000	
Less current portion	(55,000)	(45,000)	(100,000)	
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>2,759,256</u>	<u>695,000</u>	<u>3,454,256</u>	
<b>TOTAL LIABILITIES</b>	<u>2,878,920</u>	<u>891,191</u>	<u>3,770,111</u>	<u>479</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,874,313	1,895,421	4,769,734	248,613
Restricted for:				
Debt service	168,000	115,500	283,500	
Capital projects	32,797	27,038	59,835	
Unrestricted	130,875	89,144	220,019	191,430
<b>TOTAL NET ASSETS</b>	<u>\$ 3,205,985</u>	<u>\$ 2,127,103</u>	<u>5,333,089</u>	<u>\$ 440,043</u>

Adjustment to reflect the consolidation of Internal Service Fund activities  
related to enterprise funds

8,366

Net assets of business-type activities

\$ 5,341,455

The accompanying notes are an integral  
part of the financial statements.

**VILLAGE OF CASEVILLE, MICHIGAN**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET  
ASSETS - PROPRIETARY FUNDS  
YEAR ENDED FEBRUARY 28, 2005**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	<u>SEWER</u>	<u>WATER</u>	<u>RECYCLING</u>		
OPERATING REVENUE:					
Charges for services	\$ 129,304	\$ 566,885	\$ 16	\$ 696,205	\$ 97,109
Miscellaneous		1,377		1,377	
<b>TOTAL OPERATING REVENUE</b>	<u>129,304</u>	<u>568,262</u>	<u>16</u>	<u>697,582</u>	<u>97,109</u>
OPERATING EXPENSES:					
Salaries and wages	41,632	154,514		196,146	8,333
Employee benefits	23,607	87,572	119	111,298	4,651
Administration	13,571	40,712		54,283	
Office supplies		91		91	
Operating supplies	9,252	24,449		33,701	11,118
Lab supplies		2,267		2,267	
Maintenance supplies		1,518		1,518	
Contracted services	1,671	12,131		13,803	
Legal	-	2,944		2,944	
Utilities	7,772	37,913		45,685	3,551
Depreciation	110,495	146,559	2,849	259,903	31,277
Repairs and maintenance	6,432	16,175		22,607	5,642
Insurance	3,051	27,841		30,892	11,058
Equipment rental	16,505	12,021		28,527	
Miscellaneous	894	1,466		2,359	
<b>TOTAL OPERATING EXPENSES</b>	<u>234,881</u>	<u>568,173</u>	<u>2,968</u>	<u>806,022</u>	<u>75,631</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(105,577)</u>	<u>89</u>	<u>(2,952)</u>	<u>(108,439)</u>	<u>21,478</u>
NONOPERATING REVENUE (EXPENSES):					
Interest income	6,820	1,397		8,219	2,493
Interest expense - long-term debt	(123,625)	(43,117)		(166,742)	
Loss on disposal of assets			(7,018)	(7,018)	5,243
Service charges - debt	134,067			134,067	
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>17,262</u>	<u>(41,720)</u>	<u>(7,018)</u>	<u>(31,475)</u>	<u>7,736</u>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>(88,315)</u>	<u>(41,631)</u>	<u>(9,970)</u>	<u>(139,917)</u>	<u>29,215</u>
OTHER FINANCING SOURCES (USES):					
Transfer from other governments		69,702		69,702	
Transfer to other funds	(26,518)	(23,069)	(96,446)	(146,034)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(26,518)</u>	<u>46,632</u>	<u>(96,446)</u>	<u>(76,332)</u>	
<b>CHANGE IN NET ASSETS</b>	<u>(114,834)</u>	<u>5,001</u>	<u>(106,416)</u>	<u>(216,250)</u>	<u>29,215</u>
<b>NET ASSETS - BEGINNING</b>	<u>3,320,819</u>	<u>2,122,102</u>	<u>106,416</u>		<u>410,828</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 3,205,985</u>	<u>\$2,127,103</u>	<u>\$ -</u>		<u>\$ 440,043</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds				8,366	
Changes in net assets of business-type activities				<u>\$ (207,884)</u>	

The accompanying notes are an integral  
part of the financial statements.

**VILLAGE OF CASEVILLE, MICHIGAN**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED FEBRUARY 28, 2005**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>				<b>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</b>
	<b>SEWER</b>	<b>WATER</b>	<b>RECYCLING</b>	<b>TOTALS</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 119,942	\$ 536,872	\$ 5,101	\$ 661,915	
Receipts from interfund services				-	\$ 97,109
Payments to suppliers of goods and services	(38,999)	(129,525)	(238)	(168,762)	(33,664)
Payments to interfund services	(16,505)	(12,021)		(28,526)	
Payments to employees	(41,632)	(154,514)		(196,146)	(8,333)
Payments for fringe benefits	(23,607)	(87,572)		(111,180)	(4,651)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(801)</u>	<u>153,240</u>	<u>4,863</u>	<u>157,302</u>	<u>50,461</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers to other funds	(26,518)	(23,069)	(96,446)	(146,034)	
<b>NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(26,518)</u>	<u>(23,069)</u>	<u>(96,446)</u>	<u>(146,034)</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Purchase of assets	(18,991)	(66,412)		(85,403)	(156,832)
Transfers from other governments		69,702		69,702	
Sale of assets			71,257	71,257	9,571
Service charges - debt	134,067			134,067	
Advance from other funds				-	
Principal paid on bond maturities	(55,000)	(45,000)		(100,000)	
Interest paid on bonds	(62,500)	(43,117)		(105,617)	
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(2,424)</u>	<u>(84,827)</u>	<u>71,257</u>	<u>(15,994)</u>	<u>(147,261)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	6,820	1,397		8,217	2,493
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>6,820</u>	<u>1,397</u>		<u>8,217</u>	<u>2,493</u>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	<u>(22,924)</u>	<u>46,741</u>	<u>(20,326)</u>	<u>3,491</u>	<u>(94,307)</u>
<b>CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR</b>	369,396	122,022	20,326	511,744	286,216
<b>CASH AND RESTRICTED CASH - END OF THE YEAR</b>	<u>\$ 346,472</u>	<u>\$ 168,763</u>	<u>\$ -</u>	<u>\$ 515,235</u>	<u>\$ 191,909</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (105,577)	\$ 89	\$ (2,952)	\$ (108,439)	\$ 21,478
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:					
Depreciation	110,495	146,559	2,849	259,903	31,277
(Increase) decrease in current assets:					
Accounts receivable	(9,389)	(31,937)	4,511	(36,815)	
Taxes receivable	27	547	574	1,148	
Inventories	1,195	(10,704)		(9,509)	
Increase (decrease) in current liabilities:					
Accounts payable	2,448	18,329	(119)	20,658	(2,294)
Due to other Fund		30,356		30,356	
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (801)</u>	<u>\$ 153,240</u>	<u>\$ 4,863</u>	<u>\$ 157,302</u>	<u>\$ 50,461</u>

The accompanying notes are an integral  
part of the financial statements.

## **VILLAGE OF CASEVILLE, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2005**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Village of Caseville operates a Council-President form of government under provisions of a revised charter and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
  - Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The village has elected to implement the general provisions of the Statement in the current year.

#### **Reporting Entity:**

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**  
**Reporting Entity: (Continued)**

Excluded from the reporting entity:

**Caseville Schools.** This potential component unit has a separate elected board and provides educational services to residents of the Village as well as other surrounding areas. This unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

**Caseville Township/Village Harbor Commission.** The Village of Caseville along with Caseville Township created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Village and Township along with the general public. Each governing body appoints three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Village's management has excluded the Harbor Commission from the reporting entity of the Village.

**Caseville Historical Society.** This potential component unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over their daily operations, approve budgets or provide funding.

Included in the reporting entity:

According to the criteria of the Governmental Accounting Standards Board, the **Downtown Development Authority** of the Village of Caseville is considered a component unit of the Village of Caseville and the blending method was used to include the component unit in the Village's reporting entity financial statements. The Village appoints the governing authority and also has the authority to approve contracts.

**GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS:**

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police and general administrative services are classified as governmental activities. The Village's water and sewer are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.



**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**  
**GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS: (CONTINUED)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**  
**GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS: (CONTINUED)**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

**General Fund**-The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Village's wastewater treatment operations.

The Water Fund accounts for the activities of the Village's water distribution system.

Additionally, the Village reports the following nonmajor fund types:

**Special Revenue Funds** - Special Revenue Funds are used to account for the resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Village accounts for the Major Street, Local Street, and Police Equipment Fund in special revenue funds.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Capital Projects Fund** - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the Village.

**Internal Service Funds (Equipment Rental Fund)** - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis. The Equipment Fund rents equipment to other City funds and departments at an hourly rate determined by the State of Michigan.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

## **VILLAGE OF CASEVILLE, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2005**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)** **GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS: (CONTINUED)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Utility enterprise funds and the Village's Internal Service fund are charges to customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrating expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Budgets and Budgetary Accounting:**

The Village Council practices the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to February 28, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to February 28, the budget is legally enacted through passage of a resolution.
4. The Village Clerk is required by the Village charter to present a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year.

#### **Cash and Cash Equivalents:**

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including demand deposits and brokerage accounts.

#### **Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

## **VILLAGE OF CASEVILLE, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2005**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)** **Receivables and Payables: (Continued)**

Other receivables at February 28, 2005 consist of property taxes, state road taxes, and billings for user charged services, including trash collections and utility services. Taxes, trash and utility charges (except certain water charges) are deemed collectible in full.

The Village is currently in a dispute with a water customer over the amount of water usage charges billed to the customer. As a result of the dispute, an allowance in the amount of \$60,000 has been established to offset the water accounts receivable balance.

#### **Compensated Absences:**

Village employees are allowed one day per month sick leave, not to exceed 12 days per year, and may accumulate up to a maximum of sixty days. Upon termination of employment, or retirement of an employee, an employee will be paid in full for all earned unused sick days at his/her current rate of pay. There is no accumulation of unused vacation days allowed. The Village accrues a liability for compensated absences based on the estimate of accumulated sick leave that will be paid to its employees upon termination of employment in accordance with the requirements of GASB Statement 16. For governmental funds, the liability for compensated absences is classified as long-term since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

#### **Property Taxes:**

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The delinquent taxes of the Village are purchased through a revolving fund by Huron County and are therefore included as revenue in the fiscal year levied.

#### **Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**  
**Capital Assets: (Continued)**

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 to 50
Buildings	25 to 50
Office equipment	5 to 15
Machinery and equipment	5 to 20
Vehicles	5 to 8
Improvements other than buildings	20

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended February 28, 2005, was \$26,285. Capital asset acquisitions in the governmental funds totaled \$4,777 for the year ended February 28, 2005. A summary of Governmental Fund capital assets at February 28, 2005, follows:

Land	\$ 192,677
Buildings	429,106
Vehicles	47,000
Equipment	49,461
Internal Service Fund assets	<u>573,645</u>
Total capital assets	1,291,889
Less accumulated depreciation	<u>(592,373)</u>
<b>NET GOVERNMENTAL CAPITAL ASSETS</b>	<b><u>\$ 699,516</u></b>

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended February 28, 2005 was \$259,903. Capital asset acquisitions in the business-type funds totaled \$32,629 for the year ended February 28, 2005. A summary of Business-Type Fund capital assets at February 28, 2005, follows:

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Capital Assets: (Continued)**

Land	\$2,462,940
Land improvements	42,638
Buildings	276,525
Wastewater pipelines	4,155,635
Equipment	240,544
Sewer wells and pumphouses	240,818
Water system	<u>3,955,150</u>
Total capital assets	11,374,250
Less accumulated depreciation	<u>(3,419,516)</u>
<b>NET BUSINESS-TYPE FUND CAPITAL ASSETS</b>	<b><u>\$ 7,954,734</u></b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$12,019
Unallocated	<u>14,266</u>
Total depreciation expense -- governmental activities	<u>\$26,285</u>

Sewer	\$110,495
Water	146,559
Recycling	<u>2,849</u>
Total depreciation expense -- business-type activities	<u>\$259,903</u>

**Long-Term Obligations:**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Use of Estimates:**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - BUDGET COMPLIANCE:**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted at the department head/function level.

During the year ended February 28, 2005, the following expenditures were in excess of the amounts appropriated for the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund:</b>			
Administration	\$136,632	\$137,339	\$ 707
Village hall and grounds	27,153	28,426	1,273
Department of public works	69,039	70,466	1,427
Public utilities	41,647	42,007	360
Sanitation	50,720	51,757	1,037
Capital outlay – building		71,256	71,256
<b>Special Revenue Funds:</b>			
<b>Major Street:</b>			
Trunkline maintenance	31,714	32,298	584
<b>Local Street:</b>			
Winter maintenance	7,100	7,599	499

(Continued)

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2005**

**NOTE 3 – CASH AND CASH EQUIVALENTS:**

The carrying amount of cash and deposits with financial institutions of the Village of Caseville amounted to \$112,023 at February 28, 2005. The total bank balance as of the same date was \$107,887. Deposits with financial institutions are categorized as follows:

	<u>February 28, 2005</u>
Amount insured by the FDIC	\$101,163
Uncollateralized	<u>6,724</u>
Total deposits with financial institutions	<u>\$107,887</u>

**NOTE 4 - INVESTMENTS:**

At February 28, 2005, the Village of Caseville held investments of \$1,405,985 in a brokerage account with a carrying amount of \$1,406,361, which approximates the market value. The balance held in the brokerage account consists of \$1,405,360 in fixed income assets and \$625 in cash and cash equivalents.

The carrying amount of cash and investments, which were restricted or designated for specific purposes as of February 28, 2005, amounted to \$823,694. Cash and investments were restricted or designated for the following purposes:

	<u>February 28, 2005</u>
Police forfeiture use	\$ 652
Retirement of general obligation sanitary sewer bonds and to extend, enlarge and improve the sewer system	200,797
Retirement of general obligation water system bonds and to extend, enlarge and improve the water system	115,500
Capital acquisitions	386,240
Retirement of special assessment bonds	<u>120,505</u>
	<u>\$823,694</u>

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority except for the certificates of deposits in the brokerage account that are held in states other than Michigan.



# VILLAGE OF CASEVILLE, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2005

### NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$127,245	
Water Fund		\$126,270
Downtown Development Authority		975
	<u>\$127,245</u>	<u>\$127,245</u>

### NOTE 6 - PENSION PLAN:

**Plan Description:** The Village of Caseville participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy:** The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 4% of their annual compensation.

**Annual Pension Cost:** For the year ended February 28, 2005, the Village's annual pension cost of \$41,711 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three year trend information:

	<u>Fiscal year ended December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ 26,982	\$ 43,631	\$ 41,321
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-0-	-0-	-0-
Actuarial value of assets	406,560	503,677	590,237
Actuarial Accrued Liability (entry age)	692,870	808,258	888,953
Unfunded AAL	286,310	304,581	298,716
Funded ratio	59%	62%	66%
Covered payroll	418,240	429,836	412,195
UAAL as a percentage of covered payroll	68%	71%	72%

(Continued)

# **VILLAGE OF CASEVILLE, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2005**

### **NOTE 7 – ACCUMULATED SICK PAY:**

Village policy allows full time employees to accumulate sick leave time at various rates, depending on the employee's current rate of pay. Amounts accumulated up to a maximum of 60 days are to be paid to the employee and recognized as an expense either when sick leave time is used, or upon termination of employment.

As of February 28, 2005, this liability was \$79,368.

### **NOTE 8 – RISK MANAGEMENT:**

#### **General Liability**

Village of Caseville participates in the Michigan Township Participating Plan, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$5.7 million for real and personal property losses and \$5 million for liability losses. Village of Caseville is required to pay annual premiums to the Michigan Township Participating Plan for the liability coverage. No supplemental premium assessment is required by the Michigan Township Participating Plan. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### **Workers' Compensation**

Village of Caseville purchased commercial insurance coverage for losses related to workers' compensation claims.

#### **Employee Health Care**

Village of Caseville purchased commercial insurance coverage for its employees and their dependents

### **NOTE 9 - LONG-TERM DEBT:**

The following is a summary of long-term debt transactions of the Village for the year ended February 28, 2005:

	<b>FEBRUARY 29, 2004</b>	<b><u>ADDITIONS</u></b>	<b><u>RETIREMENTS</u></b>	<b>FEBRUARY 28, 2005</b>	<b><u>DUE WITHIN ONE YEAR</u></b>
2002 DDA General Obligation Bonds	\$ 875,000		\$ 25,000	\$ 850,000	\$ 25,000
2003 Special Assessment Bonds	385,000		30,000	355,000	30,000
USDA Sewer Revenue Bonds	2,500,000		55,000	2,445,000	55,000
USDA Water Tower Bonds	270,000		15,000	255,000	15,000
USDA Water Bonds	<u>515,000</u>		<u>30,000</u>	<u>485,000</u>	<u>30,000</u>
Totals	<u>\$4,545,000</u>		<u>\$155,000</u>	<u>\$4,390,000</u>	<u>\$155,000</u>

(Continued)

# VILLAGE OF CASEVILLE, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2005

### NOTE 9 - LONG-TERM DEBT: (CONTINUED)

The long-term debt, principal and interest, maturing in the next five years is as follows:

<u>FEBRUARY 28,</u>	2002 DDA GENERAL OBLIGATION <u>BOND</u>	2003 SPECIAL ASSESSMENT <u>BONDS</u>	SEWER REVENUE <u>BOND</u>	WATER TOWER <u>BOND</u>	WATER REVENUE <u>BOND</u>
2006	\$ 65,925	\$ 40,569	\$ 177,250	\$ 27,750	\$ 59,100
2007	64,413	35,156	179,500	27,000	57,300
2008	62,900	39,750	181,500	26,250	55,500
2009	86,387	39,150	178,250	25,500	53,700
2010	83,363	38,400	180,000	24,750	51,900
2011-2015	421,425	169,725	885,250	135,000	254,500
2016-2020	414,487	75,575	855,250	88,500	184,000
2021-2025			838,750		
2026-2030			<u>807,500</u>		
Total	1,198,900	438,325	4,283,250	354,750	716,000
Less interest	<u>(348,900)</u>	<u>(83,325)</u>	<u>(1,838,250)</u>	<u>(99,750)</u>	<u>(231,000)</u>
Outstanding principal	<u>\$ 850,000</u>	<u>\$355,000</u>	<u>\$ 2,445,000</u>	<u>\$255,000</u>	<u>\$485,000</u>

Details of the Village of Caseville's long-term debt as of February 28, 2005, are as follows:

The Village of Caseville 2002 Downtown Development Bonds, in the amount of \$900,000, were issued August 27, 2002. The bond proceeds, along with a grant of \$500,000 from the Community Development Block Grant funds from the State of Michigan, were issued to construct streetscape improvements in downtown Caseville as well as a boardwalk to the municipal marina. The bonds shall bear interest payable March 1, 2003 and each September 1 and March 1 thereafter until maturity. The bonds final maturity date is September 1, 2018. The interest rates on the bonds are 6.05% through September 1, 2012, and then 4.05% thereafter until maturity. Bond principal payments are due on September 1 of each year in amounts that range from \$25,000 to \$100,000. Bonds maturing in the year 2013 and thereafter shall be subject to redemption prior to maturity at the option of the Village, at par, plus accrued interest to the date fixed for redemption.

\$ 850,000

## VILLAGE OF CASEVILLE, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2005

#### **NOTE 9 - LONG-TERM DEBT: (CONTINUED)**

The Village of Caseville 2003 Special Assessment Bonds (Oxbow Dredging Project) (General Obligation Limited Tax), in the amount of \$395,000, were issued April 16, 2003. The bond proceeds were issued to finance the dredging of a portion of the Pigeon River within the Village of Caseville. The bonds shall be retired with the proceeds from special assessments collected from the village residents that own property along the river where the dredging took place. The bonds shall bear interest payable October 1, 2003 and each April 1 and October 1 thereafter until maturity. The bonds final maturity date is October 1, 2017. The interest rates on the bonds range from 1.0% to 4.5%. Bond principal payments are due on October 1 of each year in amounts that range from \$10,000 to \$30,000. Bonds maturing in the year 2013 and thereafter shall be subject to redemption prior to maturity at the option of the Village, at par, plus accrued interest to the date fixed for redemption.

355,000

The Village of Caseville Sanitary Sewage Collection and Treatment System Revenue Bonds, in the amount of \$2,881,000, were issued November 2, 1990. The bond proceeds, along with grants of \$3,335,391 from the Environmental Protection Agency and \$590,000 from the USDA Rural Development, were issued to construct a sanitary sewage collection and treatment system. The bonds shall bear interest payable each March 1 and September 1 until maturity. The bonds final maturity date is September 1, 2029. The interest rate on the bonds is 5%. Bond principal payments are due on September 1 of each year in amounts that range from \$55,000 to \$150,000.

2,445,000

The Village of Caseville Water Supply and Distribution System Revenue Bonds, in the amount of \$1,210,000, were issued November 30, 1987. The bond proceeds, along with a grant of \$950,000 from the USDA Rural Development, were issued to construct a water treatment facility and lake intake system, plus improve and extend the water distribution system. The bonds shall bear interest payable each February 1 and August 1 until maturity. The bonds final maturity date is August 1, 2018. The interest rate on the bonds is 6%. Bond principal payments are due on August 1 of each year in amounts that range from \$30,000 to \$60,000.

485,000

The Village of Caseville Water System Revenue Bonds, in the amount of \$455,000, were issued August 20, 1980. The bond proceeds were issued to construct a water tower, and to improve the water distribution system. The bonds bear interest payable each February 1 and August 1 until maturity. The bonds final maturity date is August 1, 2018. The interest rate on the bonds is 5%. Bond principal payments are due on August 1 of each year in amounts that range from \$15,000 to \$25,000.

**Total Bonded Debt Outstanding**

**Less: Current Portion of Bonds**

**Total Long-Term Portion of Bonded Debt**

255,000  
4,390,000  
(155,000)  
\$4,235,000

Total interest incurred by the Enterprise Funds amounted to \$166,742 for the year ended February 28, 2005, all of which was charged to expense.

(Continued)

**VILLAGE OF CASEVILLE, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS  
FEBRUARY 28, 2005**

**NOTE 10 – CONTINGENT LIABILITIES:**

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

**REQUIRED SUPPLEMENTAL INFORMATION**

# VILLAGE OF CASEVILLE, MICHIGAN

## GENERAL FUND SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
<b>REVENUE:</b>				
Property taxes	\$ 368,298	\$ 368,298	\$ 370,956	\$ 2,658
Licenses and permits	10,200	10,200	8,995	(1,205)
Intergovernmental	103,014	103,014	91,456	(11,559)
Charges for services	75,816	75,816	81,215	5,399
Fines and forfeits	5,070	5,070	6,519	1,449
Interest	2,000	2,000	4,357	2,357
Administrative charges	59,596	59,596	59,523	(73)
Miscellaneous	3,300	3,300	2,558	(742)
<b>TOTAL REVENUE</b>	<u>627,294</u>	<u>627,295</u>	<u>625,580</u>	<u>(1,714)</u>
<b>EXPENDITURES:</b>				
Current:				
Village council/president/clerk	54,918	54,918	50,656	4,262
Elections	1,615	1,615	1,351	264
Administration	135,892	136,632	137,339	(707)
Village hall and grounds	24,891	27,153	28,426	(1,273)
Police protection	166,366	167,129	164,724	2,406
Breakwall area	10,934	11,039	10,188	851
Department of public works	53,595	69,039	70,466	(1,427)
Water board	1,503	1,503	817	686
Leaf and brush	-	18,445	17,789	656
Public utilities	39,547	41,647	42,007	(360)
Sanitation	50,720	50,720	51,757	(1,037)
Recreation	18,799	18,874	15,775	3,100
Planning commission	5,415	5,415	3,476	1,939
Zoning board of appeals	7,304	7,554	7,433	121
Holiday decorations	6,000	6,000	4,777	1,223
Capital outlay - buildings			71,256	(71,256)
Downtown development authority	59,150	59,150	57,495	1,655
<b>TOTAL EXPENDITURES</b>	<u>636,649</u>	<u>676,833</u>	<u>735,730</u>	<u>(58,896)</u>
<b>EXCESS OF REVENUE (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(9,355)</u>	<u>(49,538)</u>	<u>(110,150)</u>	<u>(60,611)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Local source fund balance	-	15,634		(15,634)
Operating transfers in	33,425	33,425	126,934	93,509
Operating transfers out	(24,070)	(24,070)	-	24,070
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>9,355</u>	<u>24,989</u>	<u>126,934</u>	<u>101,944</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>-</u>	<u>(24,549)</u>	<u>16,784</u>	<u>41,334</u>
<b>FUND BALANCE - BEGINNING</b>	<u>330,131</u>	<u>330,131</u>	<u>330,131</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 330,131</u>	<u>\$ 305,582</u>	<u>\$ 346,915</u>	<u>\$ 41,334</u>

**SUPPLEMENTAL INFORMATION**



VILLAGE OF CASEVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
FEBRUARY 28, 2005

ASSETS	MAJOR STREET	LOCAL STREET	POLICE EQUIPMENT	DOWNTOWN DEVELOPMENT AUTHORITY	OXBOW DEBT SERVICE	CAPITAL PROJECTS	TOTAL
CURRENT ASSETS:							
Cash	\$ 5,094	\$ 33,366	\$ 18,857	\$ 40,646			\$ 40,646
Investments				40,271			57,316
Taxes receivable		33,366	18,857	80,917			40,271
TOTAL CURRENT ASSETS	5,094	33,366	18,857	80,917			138,233
RESTRICTED ASSETS:							
Investments			652		\$ 120,505	\$ 386,240	507,397
Special assessment receivable					249,731		249,731
TOTAL RESTRICTED ASSETS			652		370,236	386,240	757,129
TOTAL ASSETS	5,094	33,366	19,509	80,917	370,236	386,240	895,362
LIABILITIES							
Accounts payable		\$ 33					\$ 33
Accrued interest				\$ 20,463			20,463
Deferred revenue				975	\$ 248,819		248,819
Due to other funds				21,438	248,819		975
TOTAL LIABILITIES		33		21,438	248,819		270,290
FUND BALANCE							
Reserved for debt service					120,505		120,505
Reserved for capital projects						\$ 386,240	386,240
Reserved for police forfeiture			\$ 652				652
Unreserved	\$ 5,094	33,333	18,857	59,479	912		117,675
TOTAL FUND BALANCE	5,094	33,333	19,509	59,479	121,417	386,240	625,072
TOTAL LIABILITIES AND FUND BALANCE	5,094	33,366	19,509	80,917	370,236	386,240	895,362

**VILLAGE OF CASEVILLE, MICHIGAN**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE**  
**YEAR ENDED FEBRUARY 28, 2005**

	SPECIAL REVENUE					DDA DEBT SERVICE	OXBOW DEBT SERVICE	CAPITAL PROJECTS	TOTAL
	MAJOR STREET	LOCAL STREET	POLICE EQUIPMENT	DOWNTOWN DEVELOPMENT AUTHORITY					
REVENUE:									
Property taxes				\$ 11,302					\$ 11,301
Current TIFA payments				70,664					70,664
Special assessments									25,653
Intergovernmental									111,458
Interest									17,293
Miscellaneous									10,464
<b>TOTAL REVENUE</b>	<b>\$ 84,981</b>	<b>\$ 26,477</b>	<b>\$ 195</b>	<b>1,959</b>					<b>\$ 123,072</b>
	102	1,411	7,229						
	85,083	31,123	7,424	83,925					246,834
EXPENDITURES:									
Administration	2,020	2,020							4,040
Police protection			600						600
Routine maintenance	31,646	31,862							63,508
Winter maintenance	4,816	7,599							12,415
Trunkline maintenance	32,298								32,298
Downtown Development Authority				127,403					127,403
Bond payments							40,944		40,944
<b>TOTAL EXPENDITURES</b>	<b>70,780</b>	<b>41,481</b>	<b>600</b>	<b>127,403</b>			<b>40,944</b>		<b>281,208</b>
	14,302	(10,358)	6,824	(43,478)			(1,665)		(34,373)
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>									
OTHER FINANCING SOURCES (USES):									
Operating transfers in		37		56,688				\$ 19,100	75,825
Operating transfers out									(56,688)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<b>37</b>		<b>56,688</b>				<b>19,100</b>	<b>19,137</b>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>									
	14,302	(10,321)	6,824	13,210			(1,665)	19,100	(15,237)
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<b>(9,208)</b>	<b>43,654</b>	<b>12,685</b>	<b>46,269</b>			<b>123,082</b>	<b>367,140</b>	<b>640,310</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 5,094</b>	<b>\$ 33,333</b>	<b>\$ 19,509</b>	<b>\$ 59,479</b>			<b>\$ 121,417</b>	<b>\$ 386,240</b>	<b>\$ 625,072</b>

**VILLAGE OF CASEVILLE, MICHIGAN**

**MAJOR STREET FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 2005**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>				
Intergovernmental:				
Gas and weight tax	\$ 46,000	\$ 46,000	\$ 48,784	\$ 2,784
M-25 maintenance	10,000	10,000	10,348	348
County road tax	14,839	25,849	25,849	-
Total intergovernmental	70,839	81,849	84,981	3,132
Interest	100	100	102	2
<b>TOTAL REVENUE</b>	<u>70,939</u>	<u>81,949</u>	<u>85,083</u>	<u>3,134</u>
<b>EXPENDITURES:</b>				
Administration	2,020	2,020	2,020	
Routine maintenance	35,137	35,564	31,646	3,918
Winter maintenance	10,160	10,160	4,816	5,344
Trunkline maintenance	19,574	31,714	32,298	(584)
<b>TOTAL EXPENDITURES</b>	<u>66,891</u>	<u>79,458</u>	<u>70,780</u>	<u>8,678</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>4,048</u>	<u>2,490</u>	<u>14,302</u>	<u>11,812</u>
<b>FUND BALANCE (DEFICIT)- BEGINNING OF YEAR</b>	(9,208)	(9,208)	(9,208)	
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ (5,160)</u>	<u>\$ (6,718)</u>	<u>\$ 5,094</u>	<u>\$ 11,812</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**LOCAL STREET FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 2005**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>				
Intergovernmental:				
Gas and weight tax	\$ 25,000	\$ 25,000	\$ 26,477	\$ 1,477
County road tax	9,661	-	-	-
Total intergovernmental	34,661	25,000	26,477	1,477
Telecommunications maintenance	750	750	3,235	2,485
Interest	200	200	1,411	1,211
<b>TOTAL REVENUE</b>	<u>35,611</u>	<u>25,950</u>	<u>31,123</u>	<u>5,173</u>
<b>EXPENDITURES:</b>				
Construction	12,390	-	-	-
Administration	2,020	2,020	2,020	-
Routine Maintenance	37,258	37,702	31,862	5,841
Winter Maintenance	7,100	7,100	7,599	(499)
<b>TOTAL EXPENDITURES</b>	<u>58,768</u>	<u>46,822</u>	<u>41,481</u>	<u>5,343</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(23,157)</u>	<u>(20,872)</u>	<u>(10,358)</u>	<u>10,514</u>
<b>OTHER FINANCING SOURCES:</b>				
Operating transfers in	23,157	23,157	37	(23,120)
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>2,285</u>	<u>(10,321)</u>	<u>(12,605)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	43,654	43,654	43,654	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 43,654</u>	<u>\$ 45,939</u>	<u>\$ 33,333</u>	<u>\$ (12,605)</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**POLICE EQUIPMENT FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 2005**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE</b>				
Interest	\$ 200	\$ 200	\$ 195	\$ (5)
Fees and restitution	<u>6,500</u>	<u>6,500</u>	<u>7,229</u>	<u>729</u>
<b>TOTAL REVENUE</b>	<u>6,700</u>	<u>6,700</u>	<u>7,424</u>	<u>724</u>
<b>EXPENDITURES:</b>				
Police protection	1,800	1,800	600	1,200
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>4,900</u>	<u>4,900</u>	<u>6,824</u>	<u>1,924</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	12,685	12,685	12,685	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 17,585</u>	<u>\$ 17,585</u>	<u>\$ 19,509</u>	<u>\$ 1,924</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 2005**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>				
Property taxes	\$ 11,800	\$ 11,800	\$ 11,302	\$ (498)
Current TIFA payments	77,940	77,940	70,664	(7,276)
Interest	425	425	1,959	1,534
<b>TOTAL REVENUE</b>	<u>90,165</u>	<u>90,165</u>	<u>83,925</u>	<u>(6,240)</u>
<b>EXPENDITURES:</b>				
Streetscape	14,927	63,014	53,067	9,947
Other	7,800	7,800	7,655	145
Bond principal	25,000	25,000	25,000	-
Bond interest	42,438	42,438	41,681	757
<b>TOTAL EXPENDITURES</b>	<u>90,165</u>	<u>138,252</u>	<u>127,403</u>	<u>10,849</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(48,087)</u>	<u>(43,478)</u>	<u>4,609</u>
<b>OTHER FINANCING SOURCES:</b>				
Local source fund balance - TIFA	-	48,087	-	(48,087)
Operating transfer in			56,688	56,688
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>48,087</u>	<u>56,688</u>	<u>8,600</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>13,210</u>	<u>13,210</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>46,269</u>	<u>46,269</u>	<u>46,269</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 46,269</u>	<u>\$ 46,269</u>	<u>\$ 59,479</u>	<u>\$ 13,210</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**SEWER FUND  
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -  
BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 2005**

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE- FAVORABLE (UNFAVORABLE)</b>
<b>OPERATING REVENUE:</b>			
Charges for services	\$ 117,010	\$ 129,304	\$ 12,294
Penalties	1,000	-	(1,000)
<b>TOTAL OPERATING REVENUE</b>	<u>118,010</u>	<u>129,304</u>	<u>11,294</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	33,003	41,632	(8,629)
Employee benefits	13,615	23,607	(9,992)
Administration	13,589	13,571	18
Operating supplies	36,700	9,252	27,448
Contracted services	2,200	1,671	529
Legal	100	-	100
Utilities	7,450	7,772	(322)
Depreciation	-	110,495	(110,495)
Repairs and maintenance	14,000	6,432	7,568
Insurance	2,371	3,051	(680)
Equipment rental	14,000	16,505	(2,505)
Miscellaneous	1,000	894	106
<b>TOTAL OPERATING EXPENSES</b>	<u>138,028</u>	<u>234,881</u>	<u>(96,853)</u>
<b>OPERATING (LOSS)</b>	<u>(20,018)</u>	<u>(105,577)</u>	<u>(85,559)</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>			
Interest income	5,000	6,820	1,820
Interest expense - long-term debt	(125,000)	(123,625)	1,375
Local source fund balance	83,017		(83,017)
Principal payments	(55,000)		55,000
Service charges - debt	146,500	134,067	(12,433)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>54,517</u>	<u>17,262</u>	<u>(37,255)</u>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>34,499</u>	<u>(88,315)</u>	<u>(122,814)</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**SEWER FUND  
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -  
BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 2005**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
OTHER FINANCING SOURCES (USES):			
Transfer to other funds	<u>(22,640)</u>	<u>(26,518)</u>	<u>(3,878)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,640)</u>	<u>(26,518)</u>	<u>(3,878)</u>
CHANGE IN NET ASSETS	<u>11,859</u>	<u>(114,834)</u>	<u>(126,693)</u>
NET ASSETS - BEGINNING	3,320,819	3,320,819	
NET ASSETS - ENDING	<u>\$3,332,678</u>	<u>\$3,205,985</u>	<u>\$ (126,693)</u>



**VILLAGE OF CASEVILLE, MICHIGAN**

**WATER FUND  
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -  
BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 2005**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<b>OPERATING REVENUE:</b>			
Charges for services	\$ 563,517	\$ 566,885	\$ 3,368
Penalties	600	-	(600)
Miscellaneous	200	1,377	1,177
<b>TOTAL OPERATING REVENUE</b>	<u>564,317</u>	<u>568,262</u>	<u>3,945</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	169,425	154,514	14,911
Employee benefits	90,426	87,572	2,854
Administration	40,767	40,712	55
Office supplies	200	91	109
Operating supplies	36,950	24,449	12,501
Lab supplies	-	2,267	(2,267)
Maintenance supplies	-	1,518	(1,518)
Contracted services	14,000	12,131	1,869
Legal	20,225	2,944	17,281
Utilities	37,200	37,913	(713)
Depreciation	-	146,559	(146,559)
Repairs and maintenance	2,535,000	16,175	2,518,825
Insurance	28,245	27,841	404
Equipment rental	22,000	12,021	9,979
Miscellaneous	2,750	1,466	1,284
<b>TOTAL OPERATING EXPENSES</b>	<u>2,997,188</u>	<u>568,173</u>	<u>2,429,014</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(2,432,871)</u>	<u>89</u>	<u>2,432,959</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>			
Interest income	1,000	1,397	397
Interest expense - long-term debt	(89,400)	(43,117)	46,283
Bond and grant proceeds	2,500,000	-	(2,500,000)
Local source fund balance	46,716	-	(46,716)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>2,458,316</u>	<u>(41,720)</u>	<u>(2,500,036)</u>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>25,445</u>	<u>(41,631)</u>	<u>(67,077)</u>

**VILLAGE OF CASEVILLE, MICHIGAN**

**WATER FUND  
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -  
BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 2005**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
OTHER FINANCING SOURCES (USES):			
Transfer from other governments	-	69,702	69,702
Transfer to other funds	(25,445)	(23,069)	2,376
TOTAL OTHER FINANCING SOURCES (USES)	(25,445)	46,632	72,077
CHANGE IN NET ASSETS	-	5,001	5,001
NET ASSETS - BEGINNING	2,122,102	2,122,102	
NET ASSETS - ENDING	<u>\$ 2,122,102</u>	<u>\$ 2,127,103</u>	<u>\$ 5,001</u>



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CPA's On Your Team

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Caseville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village of Caseville, Michigan's basic financial statements and have issued our report thereon dated June 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Caseville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Caseville, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Caseville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

(Continued)

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This report is intended solely for the information and use of the management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nietzke & Faupel, PC*

NIETZKE & FAUPEL, P.C.  
PIGEON, MICHIGAN

June 28, 2005

**VILLAGE OF CASEVILLE, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEBRUARY 28, 2005**

Reportable Condition

1. The current format of the bank reconciliation makes reconciliation of the general ledger balance and the bank balance difficult. We recommend that the bank reconciliation format be changed to make reconciliation of these items easier. We suggest that the monthly bank reconciliation include reconciliation of the deposit and check totals to the corresponding amounts in the Village's accounting records. This would ensure that the bank statement is agreed to the general ledger on a monthly basis and this will enable a visible monthly summary of activity. Also, reconciling items should be researched promptly so that corrective action may be taken, where necessary, to dispose of them. This process will substantially increase control over cash. We suggest that bank accounts be reconciled and all differences between the computer accounting records and bank balances be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected.